

Yardi® Matrix

OFFICE MARKET REPORT

San Antonio: The Rising CBD

Winter 2020

Transaction Volume
Picks Up

Deliveries Reach
5-Year High

Office Employment
Increases Steadily



SAN ANTONIO OFFICE MARKET

Yardi® Matrix

Development Across All Sectors

Though best known for its large military presence, San Antonio is growing as an office market, strengthened by a tight labor market and corporate expansions underpinned by rapid population gains. These dynamics led to job gains of 8,900 in office-using sectors during the 12 months ending in November, up 2.3% year-over-year. The metro's average asking price of \$26.41 per square foot gave it a competitive advantage over other cities in the Texas Triangle, particularly when weighed against Austin's average of \$40.24 per square foot.

Office deliveries reached a five-year peak in 2019, with developers completing 633,848 square feet, including the highly anticipated Frost Tower in the CBD. Demand for space in the dormant downtown area continued to increase. As a result, nearly half of the 800,000 square feet underway at year's end was located in the city center. The market's overall vacancy was 14.2% in December, although Class A space was 12.5% vacant, owing to a tenant flight-to-quality trend. Strong preleasing activity, particularly in the CBD, is expected to keep Class A vacancy rates stable.

Investors completed transactions totaling \$370 million in 2019, a 70% increase compared to 2018. Class A properties comprised the bulk of sales and traded for \$281 per square foot on average. As the demand for amenitized space increases in the metro, we expect increased value-add transactions, mainly in highly attractive submarkets including the CBD and Outlying Bexar County.

Market Analysis

Winter 2020

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